

Knox Futures

A Good News Story



Property Redevelopment Team
Interim Report to Knox Congregation
26 Sept 2021

Summary

- If Knox continued forward without corrective action, we anticipated an operating deficit of about \$124,500 by 2030 (without allowance for a long - term negative impact of Covid 19 on attendance and support).
- The Property Redevelopment Team has explored options to ensure the long-term financial viability of Knox United Church (Knox) by leveraging the value embedded in our reputation and property.
- Fundamental options considered included:
 - sell and rebuild smaller;
 - enter into a business partnership with a Developer or Seniors housing Operator; share space with another Religious Organization;
 - buy “Green Field” land in Sackville and, enter into a “Green Field” Affordable Housing development opportunity with a third-party Developer;
 - maximize rental opportunities of current floorspace; and
 - operate a Day-Care as initiated by the Nursery School Director and the Finance Committee
- The recommended short-term strategy is to maximize space rentals and operate a Daycare - results in a forecast operating surplus of about \$102,000 by 2030.
- The Team also recommends further study of the long-term strategic option of using Knox’s social capital (reputation) to enter into an assisted living, or affordable housing, partnership with a third-party Developer, at a “green field” Sackville location.

Current Church Environment

- The National Trust for Canada - Canada's national charitable not-for-profit organization that leads and inspires action for places that matter, estimates that 9,000 religious' spaces in Canada will be closed in the next decade.
- Bob Richards - Consultant with UCC EDGE, and our prime Advisor at EDGE - spoke to the Congregation in Oct 2018. He indicated "It is hard to believe, but in 1959 the United Church opened four new congregations every week – we now close 1 church every week."
- Bob Richards "Your property was identified in an evaluation of all United Church property across Canada as being one of 250 strategic properties. This does not mean these are properties that General Council should take over, which they can't, but rather if the congregation is considering redevelopment, the United Church should provide sufficient resources and expertise to maximize the missional value of the property, as defined by and decided by the congregation."
- Knox, like other Churches, has an aging population, and a forecast of declining revenue with a growing dependence on projects (which are dependant on aging volunteers for success, many of which were not feasible in Covid days), for financial viability. Unlike many Churches, Knox has a current cash surplus giving Knox the luxury of having a window to develop, and implement, a strategy for long term financial viability.

Team Mandate

- Based on financial projections, and a related round-table discussion of many active and past Knox volunteers, completed in Nov 2017, the Knox Congregation, at the March 2018 Knox AGM, established “a committee to seek out a developer to explore redevelopment of the church property.”
- Agreements for support (“MOU”), and financing (“LOC”), of the effort were signed with UCC Edge in Oct 2018.
- Working with EDGE, a Viability Report was developed in 2018, and the Congregation gave the Futures Team their views, on what they want Knox to “do and be” in a Scenarios Survey, and a following Congregational Workshop, in Feb 2019.
- One result of the Feb 2019 Congregational workshop was to split the overall Knox Futures project into two distinct Feasibility Study Teams – one to study, and make recommendations, re Programs and Organization, and one to study, and make recommendations, re Property Redevelopment (Team - Don Farmer Chair, Fred Gallop, Floyd Fullerton, Paul O Brien, George Savage, Sinclair Bannerman, and Boyd Hunter).
- The Oct 2018 Viability Report and the Feb 2019 Congregational Workshop confirmed the Congregations wishes to pursue Knox’s Mission by having both a strong community outreach, and a strong Pastoral Care component.
- Knox’s very successful Freedom Kitchen, and ongoing very effective Pastoral Care initiatives, are the manifestations of this Congregational will.

Goal: “Survive and Thrive”

- The Property Redevelopment Team’s Goal was to have a well-developed Property Redevelopment Proposal, for Congregational consideration, when/if required “down the road” to ensure the continued financial viability of Knox.

Objectives:

- The Property Redevelopment Team objectives have been:
 - i. Provide Facilities for Church programming.
 - ii. Provide income to the Church to supplement declining income.
 - iii. Provide a needed service or facility to the Community; and
 - iv. Enter into a beneficial business partnership.

Fundamental Options: Pros & Cons

- The “Sell and Build New and Smaller” option would be an emotionally difficult decision for the Congregation. It is clearly high risk. The option would attract Developers because of our location and would permit Knox to realize revenue by leasing the underlying land to a Developer.
- Entering a development Partnership with a Private Developer (Housing, Retail) requires building sharing, which is not attractive to Developers. It may restrict Church activities and availability of parking, but would shift much of the business risk from Knox to the Developer.
- Entering into a development/operating Partnership with a Senior’s Housing Operator would require building sharing but remain consistent with Knox’s will to serve the Sackville community, capitalize on its reputation, and complement its other community strengths. A reputable Partner would ensure operating success, but require Knox to give up some degree of decision making re the facility.
- Maximizing building rental opportunities (operate a Day-Care and rent upper hall rooms to Community Service Agencies), is the lowest risk option. Growth and vacancy rates in Sackville presently an opportunity, however, the option risks rental market changes over future years.
- Share all space with another religious organization. No current opportunities exist, but may arise and could be workable without unacceptable changes on Knox.
- A long-term “Green Field” affordable housing, or similar Community Service project in partnership with a Developer would enhance Knox’s mission in the Community, as well as provide long-term revenue stability. The associated risks of such a project, as well as consumption of volunteer resources, would however be significant.

Work Completed

- Viability Study report prepared in association with UCC Edge. Published Nov 2018.
- Formal property evaluation by Turner-Drake, Property Value \$1,185,000 to \$1,360,000 as of Aug 2019.
- A land-use study by Dalhousie Planning Students. Thanks to Dr Chuck Hostovsky and 4 students.
- Sought interest in a partnership from many Developers, and most local Institutions such as Northwood Care and similar facilities.
- Explored success and failure stories, with visits and conference calls, with other Congregations both locally and across Canada. Particularly impressed with All-Saints/Shannex Spring Garden Rd Halifax partnership as well as Cochrane St United St Johns Community services facility.
- Worked with Canmac Economics Ltd, Dr Mike Foster on dimensioning several generic development options and opportunities. The Canmac Report's analysis projects an operating deficit of \$124,503 by 2030 if we continue without corrective action. It also projects an operating surplus of over \$102,000 by 2030, if we successfully operate a Day Care Centre and are able to rent all building space not required for Worship and Church programs. It suggests a further long-term revenue, and community service opportunity re an Affordable Housing initiative.
- This lead to a two point recommended strategy of immediately maximizing property rental opportunities (including Nursery School Day Care) and exploring a long-term "green field" partnership opportunity to build an Affordable Housing, or Assisted Living facility.

Major Work Results and Conclusions

- The Knox property is part of the Sackville Drive Plan and is zoned as Pedestrian Retail (PR).
- We believed that a land lease with a responsible Private Developer, or Senior's Housing Operator, would be a good financial option for Knox. The Property Evaluation Report gave us a credible basis for considering either sale of the property or entering a land-lease financial partnership with a Developer or Institution.
- Although we have received lots of encouragement from Developers and Institutions, we have not been able to get them to the point of making any concrete proposals.
- We learned that both Developers and Private Institutions fear the prospect of working with Churches in terms of ongoing Decision making.
- The Dalhousie Planning Students study was a conceptual land-use document with a conceptual revenue producing development. We estimated construction cost for the mixed use (some apartments, some retail. No basic change in Sanctuary or Hall) at around \$4 M. The report became a support document for discussion with potential Development/Operational partners, but not the basis for a Project we felt Knox could pursue without a committed and credible Development Partner.

Final Conclusion

- We adopted a strategy of having Canmac Economics Ltd., Dr Mike Foster do a detailed financial analysis of Knox’s “base case” future and various generic alternative options and opportunities.
- Canmac recommended a two-point strategy:
 - a. Maximize building rental opportunities and immediately modify the current Nursery School operation to become a Day Care operation (a proposal that was also recently made by the Knox Finance Committee and The Nursery School Director – and approved by Knox Council) and
 - b. As a long term option, begin evaluation of an offsite “green field” affordable housing development (Take advantage of Knox’s Social Capital and current Federal Government funding for Affordable Housing).
- The Canmac recommendation (a) as above, enables Knox to maintain the current property, maintain current major tenants Motion Dance and Lr Sackville Nursery School/Day Care, does not require Sanctuary or other major building modifications, and provides a revenue stream to offset deficit projections through to 2030.

Costs

- a. All Consultant costs to date are approximately \$11,000. These are covered by the line-of-credit from UCC Edge as approved by the Congregation in March 2018. Costs are not payable until such time as Knox completes a successful redevelopment project or sells the property.

Recommendation to the Congregation

The Knox Property Redevelopment Team recommends that the Congregation accept and approve this Interim Property Redevelopment Report to:

- a. Implement the Day Care and “other Rentals” proposal, over 2021 and 2022, and
- b. Take advantage of Knox’s Social Capital, begin preliminary investigation of the option of a “green-field” affordable housing facility in Sackville, for consideration by the Congregation after Knox’s Post-Covid strengths and weaknesses are known.